

RD AN No. 3594 (1942-A)
December 8, 2000

TO: State Directors, Rural Development

ATTN: Program Managers for Community Facilities Loans

FROM: James C. Kearney
Administrator
Rural Housing Service

SUBJECT: Community Programs Workout Agreement

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to implement a formal workout agreement for delinquent Community Programs (CP) borrowers.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 3499 which was issued on December 9, 1999, and expires on December 31, 2000.

IMPLEMENTATION RESPONSIBILITIES:

We have developed a formal, written workout agreement for our delinquent CF borrowers. The Workout Agreement will enable us to meet the guidelines of the U.S. Department of Treasury's Debt Collection Improvement Act (DCIA) and provide a servicing tool for problem/delinquent accounts.

EXPIRATION DATE:
December 31, 2001

FILING INSTRUCTIONS:
Preceding RD Instruction 1942-A

The borrower and the Agency servicing official must complete the attached Community Programs Workout Agreement for all accounts over 90 days delinquent. The 90-day requirement is based on the number of days the account has been delinquent, not the amount delinquent. The Workout Agreement is a servicing tool that can be used on problem/delinquent accounts at any point prior to the 90-day requirement. A copy of the signed Workout Agreement and the supporting information must be sent to the National Office, Attention: Deputy Administrator, Community Programs, upon completion.

It is imperative that the actions and completion dates used in the Workout Agreement are reasonable and realistic. If our workout efforts are unsuccessful, we must transfer the account to the U.S. Department of Treasury for servicing in accordance with the DCIA. This will be done when all our servicing options have been exhausted.

If you have any questions, or want to discuss servicing options before meeting with the borrower, please contact the Community Programs Division, (202) 720-1490.

Attachment

**COMMUNITY PROGRAMS
WORKOUT AGREEMENT**

This Workout Agreement (Agreement) made [date] between [borrower] (borrower) and the United States of America, acting through the Department of Agriculture (Government).

The parties recite and declare that:

- A. The Borrower has the following _____ Direct Community Facilities or Association Recreation loans owed to the Government which are in default (if more space is needed use an attachment):

No.	Loan Amount	Date of Loan	Amount Delinquent	Nature of Default
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____

- B. The Government has the right to accelerate these loans.
- C. The parties wish to avoid any acceleration or other collection action by the Government by entering into this Agreement.

For the reasons stated above, and in consideration of the mutual covenants and promises of the parties, the Government and the Borrower agree as follows:

- a. Borrower will complete the following actions to resolve the defaults identified in Paragraph A, above, by the following completion dates (if more space is needed, use an attachment):

Action	Completion Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

- b. The Government will not accelerate Borrower's loans if each action is completed to the satisfaction of the Government by the relevant completion date.

- c. Failure of the Government to immediately exercise its rights to accelerate the Borrower's loan upon Borrower's failing to comply with the terms of this agreement will not preclude the Government from doing so on default at a later time. Any such failure shall not be construed as a waiver of relinquishment of the Government's rights to any collection including subsequent acceleration.
- d. No other loan terms contained, by example and not limitation, in the respective notes, bonds, mortgages, or deeds of trust are modified by this Agreement.
- e. This Agreement shall run with the land and be binding on the successors and assigns of the parties and any present or subsequent owners, encumbrancers, tenants, and subtenants.
- f. This Agreement may not be changed or terminated except in a written document signed by both parties.
- g. If any part of this Agreement is judicially determined to be illegal or unenforceable by a court of competent jurisdiction, those other portions not affected by that decision shall remain in effect.

Borrower

Date

Government

Date

Supporting information to be furnished by the State or Servicing Office

Borrower Name: _____

Case No: _____ State _____ County _____

Brief History of the Facility:

Reason For Defaults (Explain):

Recommendation:

Name and Position

Date